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THE PROBLEM OF BUSINESS CYCLES

BY PROFESSOR GUSTAV CASSEL

The present world crisis is, in fact, a crisis also for the entire theory of business cycles, a crisis which makes it especially important to devote careful consideration to the real import and possibilities of business cycle researches. The present moment is in this respect a particularly opportune one for science to enter upon a self-examination.

If the business cycle theory simply takes upon itself to find a general explanation of the fact that economic development adopts an undulating movement, then such a theory is superfluous. There exists no problem of business cycles in this sense. Economic development is necessarily either a uniform or an undulating movement, oscillating round about an average uniformity. A complete uniformity never exists in reality. Uniformly progressive economy is a theoretical construction which is, however, indispensable for the study of the dynamics of the development proper. We can, on the whole, conceive the variability of economic development only as deviations from a uniform development. Thus economic progress must primarily be accepted as being uniform. We can calculate an average percentage of increase in the progress and we can reproduce the uniform development by a graph which rises in keeping with this constant percentage. The actual development must then be represented by a wave movement alternately rising above and falling below the curve of the uniform progress. This necessity is already inherent in the idea of an average development.

The immediate consequence of this is that it is hopeless to gain a proper idea of the economic wave movement unless one has first properly understood the mechanics of the uniform progress. The theoretical analysis of the economic phenomena in a uniformly progressive economy therefore is of fundamental importance to every study of business cycles. A person who has a hazy or incorrect idea of those phenomena can not possibly evolve a true theory of business cycles. Hence we must eliminate beforehand from the innumerable masses of so called business cycle theories all such as obviously emanate from erroneous conceptions of the phenomena in a uniformly progressive economy. By doing so we should at once clear the entire science from a great deal of ambiguity.

While the analysis of the uniformly progressive economy must of necessity continue to be an essentially theoretical task, the study of the deviations from the uniform development is just as necessarily in the first place referred to observations of reality, thus to an inductive process. Such a study can have two different objectives in view. On the one hand a special wave movement can be taken for observation, its behaviour described and an attempt made to discover the driving forces in this specific movement. On the other hand a whole series of waves can be observed and examined as to whether the consecutive waves show similarities or certain characteristic features. It may perhaps be possible to discover behind this undulatory movement a certain repetition of a definite economic process. The first thing to be done then is to establish the characteristic features of this process and thereafter determine to what degree those features may be taken to be due to a deeper causal nexus.

If we once succeed in making clear the nature of the essential driving forces in the economic dynamics actually existing, we can also judge in what degree the oscillating movement in its actual form is a necessity. It is evident that such

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a necessity can only exist if and to the extent it is determined by permanent causes. It is quite impermissible, on the other hand, a priori to assume a necessity of the continuation of the oscillation in the forms in which it has hitherto been observed. In such circumstances it is clear that no regularity and, still more so, no periodicity of the wave movement may be assumed in advance. Aprioristic assumption to that effect has been very obstructive to the development of a scientific analysis of business cycles. In regard to the question of the regularity of such cycles it must always be borne in mind that each specific one, collaterally with the characteristics of the entire actual movement, also exhibits its peculiar features and is affected by its specific factors.

What has been said makes clear how very restricted is the possibility of making a prognosis of the economic development. In fact we can only say that, if such and such forces continue to operate, certain consequences must arise which may, however, be considerably altered by factors making themselves felt in that special instance. If we are able to control any of the driving forces of the wave movement, every prognosis will also be governed by the circumstance whether and in which direction this possibility of control will be utilized. A forecast of the economic development then ceases to be merely a theoretic-statistical question, becomes a question of a correct, psychological judgment of the probable mode of action of leading personalities, and is, taking it all round, possible only in a very limited manner. This is quite especially the case if the development, as in the sphere of the monetary system, is decided by a small number of leaders of the central banks and financial politicians in the foremost countries. To prophesy how those persons will act, or what will be the final result at their various endeavours, is clearly a task which differs considerably from a business cycle theory in the ordinary sense of this term.

All those reservations are of very great importance over against the often exaggerated claims which the mathematical business cycle theory usually produces. The mathematical analysis of given economic development curves is by itself no definitive evidence. Every actual development can be represented by a mathematical graph, and that with all wished for exactitude. The mathematical form need not therefore be an expression of any necessity in the course of the development and does not by itself serve as a foundation for the supposition that the development proper will follow the mathematical formula. Every continuation can be included in another mathematical formula. Only if an economic development is in accord with a particularly simple mathematical formula can such agreement be said to indicate a definite causal nexus, which even then can be established only by an economic analysis.

It should be especially observed that every economic wave movement can be taken to be a sum total of different mathematical wave movements. These latter can also include every arbitrary wave movement. This obviously implies that the mathematical analysis can never by itself afford conclusive evidence of the existence of a special economic wave movement as an integral part of an actually given development. The fact that such a movement is included in the general development can only be proved by means of an economic analysis. An economic connexion can obviously only be established by means of an economic explanation, thus by an economic theory. The use of a mathematical analysis lies in the possibility which it affords of testing the result of the economic theory and of establishing its exact range and thereby also the deviation of the actual course from the theory, at times also in the suggestions the analysis may afford for new economic investigations. It also comprises the significance of the mathematical analysis in establishing the connexion between two given curves of development. An economic theory can alone make clear whether there is a causal nexus between given courses of development and what the nature of this connexion is. The mathematical analysis can offer confirmation of such a theory and by establishing deviations from the anticipated connexion give an indication of other contributory causes.

If we want to determine characteristic features of the business cycle we must consider the cycles for an approximately uniform period, thus for a period which is characterized by a certain continuity in the economic development. Such a period is that from 1870 to the great war. The business cycles for that period are, as we know, above all a wave movement in the construction of fixed capital. Behind that movement lies a reciprocal action between supply and demand for the available capital, an action which finds expression especially in changes in the rates of interest. The crises are caused by an erroneous economic calculation of quite a special nature, viz. an over-estimation of the savings which will be available for taking over the produced fixed capital. It is of importance in this connexion that the process by which savings are accumulated and invested be made clear.

In doing so, however, one comes up against another aspect of the business cycle problem, viz. the monetary. It is an important feature of the cycles in the period under consideration that the wave movements are connected with marked changes in the general price level, i. e. in the money value. Those changes are a monetary phenomenon. The question then arises as to whether it would be possible to prevent those changes in the money value by means of a fitting monetary policy. Such a stabilization of the monetary value must, of course, affect the business cycle considerably. Some researchers are inclined to take the view that the business cycle would, on the whole, be smoothed out in the event of such a stabilization. The scanty savings would not then be made up, in a rising wave movement, by a special expansion of the supply of means of payment. Nor, it is considered, could any exaggerated construction of fixed capital be brought about and the business cycle movement would practically come to a stop. This conclusion goes perhaps a little too far. It is certain, however, that in the event of stable monetary value the business cycle movement would lose a great deal of its momentum. Economic life would nevertheless continue to be variable, this feature appearing in a certain undulating movement. What such a movement would be like is, however, a question which can hardly be decided theoretically. A final answer can only be given to this question when we have passed through a longer period of stable monetary value.

The study of the features characteristic of the business cycle movement is, it is true, very important and will give us an increasingly deeper insight into the phenomena and causal connexions of economic life. We must never forget, however, that every specific business cycle has its specific driving forces which also give it its special character. During the preceding century railway building played the leading part in the business cycles. In our century the evolution of the electric industry, the production of oil and oil engines and, finally, also the motor-car industry together with the extraordinary development of roadmaking connected with it, have been of the most outstanding significance as driving forces in the vicissitudes of trade. This observation alone ought to be sufficient to clear up exaggerated ideas of a regularity or necessary periodicity in the business cycle. A given business cycle movement can never be expected to continue with any certainty. Each new wave will show its special features. Whether apart from that it will indicate the characteristics of an earlier cycle will always depend on the degree in which previously acting causes continue to operate.

This reminder is of especial importance in the present economic situation. The war and the upheaval of the entire monetary system imply an absolute discontinuity in the economic development, and every attempt to explain the economic development in the post-war period as a mechanical continuation of that of the pre-war period must be dismissed as being scientifically untenable. There have been during the post-war period masses of factors which must have had a very disturbing influence upon the stability of economic life. It is nevertheless obvious that the economic development of the post-war period has, on the whole, been governed by monetary factors. The most important phenomenon during recent years is the deflation by which

the monetary value in the "gold" countries has been increased by 50 %. The corresponding fall in prices is the most significant cause in a chain of other disturbances, such as, for example, the very marked increase in protectionism, the introduction of currency control of different kinds and, above all, the wide prevalence of insolvency. In such circumstances the study of the present economic development must place the deflation process in the foreground and analyse the causes and effects of this process, and in that way endeavour to arrive at something like a tangible explanation which will at least help to throw light on the unparalleled economic catastrophe which we are now experiencing.

The belief which is very generally entertained in the necessity of a definite, regular business cycle movement has proved very injurious to the investigation into the nature of the present disturbances. Obstacles have been placed in the path of an unprejudiced investigation, and the will to take active intervention so as to remove the fundamental errors in economic politics has been seriously weakened. Every intervention with a view to stopping deflation and leading the price movement in an opposite direction has been called artificial interference with "the natural development of business cycles". The dogmatic doctrine inherited in this manner from pre-war times has constituted a serious danger to scientific study and to practical politics alike.

Our attention must now for a long time onwards be devoted towards a complete analysis of the upheaval now in progress. It is only when the present complete absence of stability in the monetary system has once been overcome that a more normal development may be expected in economic life. But even then a long time must pass before we can survey a period sufficiently long to enable us to obtain an idea of the nature of the new economic dynamics. There are many signs that the latter will differ very considerably from that of the pre-war days.

FACTORS OF NATURE AND ECONOMIC EXPANSION

BY IVAR HÖGBOM, D. SC.

Two kinds of secular movements in nature have had a decisive influence on the development of human geography from prehistoric and historic eras down to modern times. One is the displacements of climatic boundaries, in particular those of the temperate zone. During the palaeolithic Stone Age steppe and tundra climate extended over Central Europe to the South of France, while large parts of the continent were covered with land ice; in later time also wanderings of peoples have been caused by changes in the spread of the desert regions of Central Asia and North Africa. Another important change in natural conditions has been the displacement of the boundaries between land and sea. The bulk of the population of Sweden, Norway, and Finland now live on land which has risen out of the sea during the last ten thousand years, while considerable regions populated during the later Stone Age and the Bronze Age, now lie beneath the waters of Southern Baltic, the North Sea, and off the south coast of England; similarly the site of the oldest civilization of the Euphrates-Tigris region is now partly submerged by the Gulf of Persia. Such displacements of civilizations owing to changes in the natural conditions can be followed down to early historic times, and there can be no doubt that the present map of the civilized world would present a very different aspect, if coast lines and climatic boundaries had been so stable as they appear when viewed in the usual short-time perspective. In reality, however, climatic boundaries and coast lines have been moving, bringing about changes in the conditions of life of peoples and civilizations, causing the advance of one race, the decline of another.

Have these, mainly prehistoric, changes any bearing on present-day problems? Evidently, displacements of this nature are so slow that they need not be counted among the factors which have caused the rapid changes on the map of civilization in later historic eras and in modern times. Dynamics in physical geography and archaeology petrifies into statics in modern human geography. There are, however, analogies between these, apparently so markedly dissimilar, processes in ancient and in modern times. Now as in the prehistoric ages centres of civilization are displaced chiefly under pressure of changing conditions of life. But while formerly great changes were produced by secular processes of nature, they are now above all connected with the development of technical science and consequent changes in general conditions.

It has been contended that the harvests, and consequently world economy in general, would be affected by climatic periodicities, notably those which are supposed to be connected with the sunspot variations (the 11 year cycle). I do not believe that any such connection can exist, for one reason because influences from climatic periodicities must necessarily have different effects in different climatic regions. This question, however, cannot be treated here, and of course the problem of periodicities as such in economic life falls outside the scope of this article.

The climatic variations from year to year, but about known averages, nowadays constitute the most incalculable intervention of Nature in the course of economic events. Though the general laws of aerodynamics are known, science has not mastered the material sufficiently, to be in a position to make annual forecasts. The fluc-

tuations of the wheat crops in different areas give the economically most important evidence of the play of the climatic factor. Without entering further on this question I only wish to point out that no known correlation exists between the large wheat-growing areas, in regard to variations in the climatic factors determining the crop. From the point of view of pure probability the variations of the world's wheat crop would have been expected to reach greater extremes during the course of a couple of decades, than has actually been the case during the years 1900—1930. I have thought it desirable to make this observation, having regard to the very marked, though presumably transitory, effects on world economy that would follow the occurrence of an incalculable extreme of this nature.

A factor of the greatest importance for the whole course of material evolution and the geographical location of economic activity is the uneven, apparently arbitrary, distribution of natural resources. Below, some problems in this sphere will be discussed from different points of view.

Economic geography is full of surprises: for instance a country or an area, which has never played any part in the production of a certain commodity, may suddenly launch out as a producer of that commodity on a large scale. An analysis of the element of surprise might be worth while.

As far as concerns soil and climate the continents are now well known. Broadly speaking there are no secrets in regard to the natural conditions required for various kinds of vegetable production. Thus it has long been known that Southern Russia and extensive tracts of Asiatic Russia possessed every resource in climate and soil for a much larger production of wheat than hitherto. But an effective development of production was not considered realizable within this region with its particular conditions of population and culture. *Mutatis mutandis* the same remarks apply to Manchuria and the forest regions on the White Sea. These instances refer to Russia and the Far East; others could easily be given from other parts of the world, although they have not for the moment the same degree of interest.

Mineral resources are sometimes discovered unexpectedly. Apart from some of the gold fields, however, a new large scale production as a rule is based on natural resources which have long since been discovered, and made their appearance in geological publications and in geographical manuals and works of reference. There is generally less reason to be surprised that the production in question is technically possible and profitable, than that it has not been started earlier. This may indicate how an aspect of the future geography of world production may be conceived: the natural resources which will gain economic actuality during the next few decades, are already fairly well known. The question rather is in which order they will be taken up for exploitation.

Even in the case of oil, where chance plays a larger part than regarding any other mineral product, the world is not, or need not, be confronted with sudden, incalculable displacements of production centres. When in a few years the political Mosul field begins to make its contribution to world production with a modest few per cents, this will cause no surprise. Thanks to the disputes between the Powers about sovereignty and the bargaining for oil quotas, this field has been sufficiently advertised for its existence to have become generally known. But the political element apart, the exploitation of this region may be said to have run a normal course. The prospecting front as a rule is ten to twenty years ahead of the exploitation front. The emergence of Venezuela as a big producer of oil, ought not to have been unexpected. Already before the war it was known and testified that the soil of Venezuela was soaked with oil. The big surprises in the history of oil production in recent years have come not from exotic countries, but from areas which were supposed to be well known and thouroughly explored. In the United States really incalculable, sudden changes in the relative importance of the various oil fields have taken place. This is due partly to the fact that initiative and machinery have been

on the spot, but partly also to improved methods of geological and geophysical research, which have made discoveries possible in localities where no surface indications of oil are to be found. But above all, production sets in so suddenly because, geographically speaking, the new oil finds do not lie within a potential, but within the actual exploitation zone.

These examples serve to illustrate how unexpected displacements of the centres of production of raw commodities are not as a rule due to lack of knowledge of the natural resources. At first sight it would seem that it is our inability to foresee the behaviour of the human factor, that makes it so difficult to predict developments which may have a disturbing effect on existing conditions in regard to production geography. On closer reflection, however, the natural factors will be found to dominate, and the displacements of production, apart from merely temporary ones, will be seen to have involved a continuous adaptation to natural conditions. But this adaptation must not be regarded as an isolated phenomenon, and must not be viewed as an independent motion. Essentially it implies gradual displacements in connection with new conditions which are continually being created by the secular increase of population, by technical evolution, and by the geographical expansion of economic life entailed by these variables.

Between the economic progress of the last century and the continuous geographical expansion of production, there exists undoubtedly a causal connection, which, although incontestable, is very frequently overlooked.

The most stable factor in the economic history of the last half-century before the war, otherwise so variegated, has been the specific rate of increase which has been a characteristic of world production of the principal raw materials. When the effects of short-termed changes in the economic trend have been evened out, and apart from the abnormal disturbances entailed by the war, this rate of increase has in most cases not shown any noticeable change, a fact which I have discussed in another connection (Proceedings of the Royal Swedish Institute for Engineering Research 117, Stockholm 1932). Such a steady increase in output would obviously not have been possible if new resources had not become available for successive exploitation. Only in a few instances such resources could have been obtainable on an adequate scale in the original countries of production. The output capacity of these countries, moreover, is being gradually reduced by the continuous depletion of the natural resources. Only in regard to stone and coal the supplies are so large that the reserves are not appreciably affected by the mining now in process.

We speak of actual and potential resources, but it would be more to the point to speak of actual and potential regions of production, keeping in mind that the boundaries are constantly being displaced, so that the actual areas are extended, and the remaining potential areas are gradually reduced. For instance, the actual area for the production of gold may already be considered to cover the whole globe. For copper production only certain regions where exploitation is impeded by the climate, remain outside the actual region. In the case of most other world commodities there is still scope for an extension of production, but in some cases it is evident that the time when the limit of expansion will have been reached, is not far off. This will necessarily cause a deflection of the respective production curves, if these would otherwise have a tendency to rise at a stable rate in the future as before the war.

What is the effect on the map of the world of this geographical expansion of productive enterprise, by which ever larger areas are brought within the compass of the actual region, while the remaining potential region is constantly reduced? In order to give a reply to this question I revert in the first place to the production of cereals already referred to.

Climatological maps have been constructed in which the world is divided into climatic provinces, *i. e.* regions within which temperature, rainfall, etc. keep within certain suitably defined limits. A map of this kind does not give an accurate representation of the possibilities for cultivation, for one reason because no conside-

ration is given to topography and soil, which to a certain extent are conditioned by the climate but also by other factors; the essential features, however, appear. Thus there are on these maps certain large climatic provinces, which might be regarded as the natural wheatregions of the world. Wheat is a xerophilous plant which only by a slow process of adaptation in the service of man has been made to thrive in a comparatively moist climate. However, modern mechanized methods of agriculture are specially suitable for large scale production of wheat in comparatively dry regions (dry farming etc.). In other words, wheat, which in the course of centuries has been improved in other climates, is being restored by technical science to areas with a climate similar to that obtaining in those regions where the plant had its original home. As one of the requirements is a continental climate, there are only two really large areas of this type in the world. The one is in the interior of North America, and has a north-to-south trend, the other is in Southern Russia, stretching into Siberia, and running from west to east. It should be mentioned that besides minor areas of a similar climatological character, there are also other areas well suited for the production of wheat, although with a different climatic formula. These, however, cannot be compared in extent and importance with the above-mentioned Russian and American regions. If the factor of soil as well as of climate is taken into account, it will be found that the area suitable for wheat cultivation in Russia is about four times the size of that in the United States.

The exceptional material progress made by the United States as a rule has been attributed to American enterprise, to the special American system, particularly at a time when wheat played a greater part in the economic greatness of the United States than is now the case. If Russia should be able to produce wheat on a large scale, the credit doubtless will be given to the five-year plan. In both cases, however, temperature and rainfall have been more important factors than the system. As far as Russia is concerned there is probably reason to reckon with its natural advantages for cereal production as well as large scale production of industrial raw materials, far more than with any five-year plans, as a factor which in the long run may give Russia the lead ahead of the West in material progress.

The natural resources of Russia are almost unique, and they are better adapted for planned exploitation on a large scale than those of other countries. A simple comparison of the topographical and climatological maps of western Europe with those of Russia, will bear out this statement. On the map of Russia the natural provinces form large continuous sweeps of country; Europe is all split up into small areas. The geography of Europe is not less intricate on the physical than on the political map.

As Russia is at the moment the subject of so much interest, there may be reason to devote a few words to the particular question of Russian wheat production. It will be found that the variations in yield per acre during the last years have been on an average somewhat smaller than in the decade immediately before the war. This is possibly a mere coincidence; in so far as large scale wheatgrowing is moving southwards there is rather reason to expect an increase of these variations. In any case they must be expected to make themselves severely felt on the wheat markets of the world. The domestic consumption is very large. The amount of wheat which Russia can put on the export market therefore depends on the margin left by that consumption; the peaks of the production curve above that margin are subject to very great fluctuations. Indeed, in years of bad crops Russia may actually be compelled to import grain in spite of extended cultivation. When judging the Russian export possibilities it must be kept in mind that the domestic consumtion will rise proportionately to the considerable growth of the population of the country, which is on a scale of three millions a year. No doubt, these large variations in the amount of wheat available for export from Russia will give rise to numerous misinterpretations concerning the future of Russian production on the part of those who, disregarding probabilities, insist on seeking only political explanations.

It is not only that the large agriculturally

uniform and climatically favoured grain-growing regions are favourable to the Russian system. There are other enormous resources which may without undue difficulties be subjected to planned exploitation. Such are the coal of the Donetz basin, the iron ores of Krivoi Rog and the Crimea, the manganese ores of Nikopol and the Caucasus, the petroleum of the Caucasus. Here every possibility for the creation of a big industrial region is to be found in close geographical connection with a vast agricultural area. And even as the agricultural area extends into Siberia, the iron ores of the Ural mountains (at Magnitogorsk *etc.*) and the coal deposits further east (at Kusnetsk *etc.*) invite the extension of the industrial region in the same direction. These possibilities are already being realized on a large scale. Other mineral resources, the Siberian forests, the potential irrigation areas in Turkestan, where the cultivation of cotton is now being pursued on a growing scale, combine to give this part of the world more natural advantages for material progress than perhaps any other.

Geographically speaking this richly endowed region — regardless of political *régimes* — stood in turn to enter into the economic system of the world. Is there not, as a matter of fact, an immense difference between the Russia which is now being built up, and the community orginally planned by the revolutionaries? And is it not the most natural explanation of this difference that the revolution has adapted itself to natural resources which are particularly advantageous for planned industrial exploitation on a large scale? It might even, maybe with some exaggeration, be said that what is now going on in Russia is only an incident in the continuous adaptation of man to his environment. An incipient adjustment was in fact noticeable in this case already before the revolution, as indicated for example by the extensive emigration to Western Siberia.

Something similar to what is happening in Southern Russia, is going on in another region, though under wholly different cultural conditions, *viz.* in Manchuria. Close to the large monsoon region of South and East Asia, where the population of half the world is crowded within a space comprising perhaps one tenth of the habitable world, there is a sparsely populated region the climate of which is favourable for many kinds of agriculture; this region falls chiefly within Manchuria, or as it now ought perhaps to be called Manchukuo.

There are two reasons for the present economic and political prominence of Manchuria: population increase and communications. Application of western science in many fields has reduced or eliminated the factors which formerly kept population numbers comparatively constant in the great population centres of Asia. Epidemics, failure of crops, and catastrophic floods no longer occur on the same scale as before. Within the entire region there is an annual surplus of population of some nine millions, of which something like three millions in China. The most important change on the economic map as a consequence of this growth of population, is the fact that the East, as a whole, is on the point of passing the limit of selfsupport and has begun to import grain on an increasing scale. Under the pressure of this increase of population, however, and given the greater mobility entailed by modern means of communication, extensive migration in the direction of Manchuria must inevitably set in. For several years the net surplus of Chinese emigrants into this region has averaged more than half a million per annum. Remarkably enough Japanese emigration has been comparatively small. — It is characteristic of the times that the principal product cultivated in Manchuria, the soya bean, is mainly an industrial raw material while at least at times the country's requirements of cereals are filled by importing American grain.

The exploitation of these favoured regions in Southern Russia—Siberia and Manchuria may be said to mark the final phase in the economic development of the temperate zone. Further expansion will of course take place both here and elsewhere, but for displacements of such a far-reaching nature as these, there are not left any comparable potential regions. Similar observations might be made in regard to those regions where the climate is of a Mediterranean character. The natural resources of these regions are likewise being turned to account, though their

exploitation has by no means reached its final stage. In these cases also the various geographical stages in the history of production are clearly marked.

The continuous expansion of the mineral production of the world has in general been a less disturbing factor in the economic scheme than the development of food production in new countries, specially favoured by nature. The demand for industrial raw materials has increased much more rapidly than the demand for foodstuffs. There is room for both the old and the new producers of industrial raw materials; the population which earns its living by such production also is more mobile and adapts itself more readily to changed conditions, than the agricultural population of the old countries. Nevertheless the evolution in this respect likewise shows a geographical regularity which is not of less importance than that exhibited in the expansion of cereal production.

Historically the location of European industries can be traced back to a geologically defineable core extending from Cornwall, via the Walloon tract and the mountainous region of Western Germany, up to the Erzgebirge. It was here that the problems of mining, smelting and forging were first attacked, and modern technique had its origin. In course of time the technical knowledge fostered in these regions attracted other industries. When at a later stage coal became the most important raw material of industry, coal fields lay within easy reach; the only geographical change involved was a slight displacement to the north. In connection with the increasing use of coal and the general extension of production, other local raw materials in most places lost their importance. In particular this was the case with the metal ores. The deposits of ore which had originally determined the localization of the industries, were exhausted or too small. Ores had therefore to be imported from outside, and the area of supply in regard to iron ore was extended so that in the present phase it comprises Lapland, Spain, North Africa, and Newfoundland. In the United States the localization of industries has had a partly different history, but here also developments have reached an analogous phase. The area of supply has been extended, and at present embraces as subsidiary ore producers Newfoundland, Cuba, and Chile, as well as the outlying regions of the European area.

In normal times, however, the extension of ore mining has not only the object of supplying the demand of the older industrial areas. Ore as well as other raw materials is produced also in order to supply new industrial centres in countries and regions which formerly had no industrial production.

Still more remarkable than the geographical expansion of the production of raw materials, is the corresponding movement of the manufacturing industries. Formerly these industries, which are less dependent on natural conditions, have in the main been located as determined by history and traditions.

It is well known that looking at the matter from, let us say, a Weberian point of view the British cotton industry is wrongly located. The raw product is imported from countries where labour is cheap, the finished goods are exported partly to the same country from which the raw product was obtained, partly to countries for which likewise this circuitous way of obtaining their goods, via an expensive country like Great Britain, is justified only from one, though of course deciding, point of view: that Great Britain has possessed initiative and technical knowledge lacking in the receiving countries. By the beginning of the twentieth century, and in some parts even before that, industrially primitive countries had, however, begun to import the required machinery for a cotton industry of their own. These imports of machinery are of particular importance. As far as concerns machinery the cotton industry had become standardized long before standardization as a technical programme had been even talked of. Less technical knowledge was therefore required to run a spinning mill or a weaving mill, than to found other manufacturing industries. The consequence is a considerable increase of the number of spindles in various countries outside Europe, which have formerly been important markets for in particular British

cotton goods. This development has continued; Lancashire may be able to retard it by some process of rationalization, but it cannot be stopped.

During the last ten years standardization has become a programme. This has had, and is going to have, far-reaching effects on the localization of industrial regions on the map of the world. What has happened in the case of cotton will happen on an increasing scale with a number of other industries.

It has been said of Götaverken that they deliver readymade tankers. The fact is that now even readymade factories can be bought. This is why Russia has been able to create large industries with the aid of a comparatively small number of foreign technical experts to mount and start the factories. Twenty years ago a five-year plan of the same extent would have been a technical impossibility. Fortunately for the older industrial countries, however, it is not everything that can be standardized and copied. A replica of Sandviken, directions for use enclosed, cannot be ordered, and presumably Russia will discover that the working of industrial enterprises, even with a modest standard of quality, is not so easy as has been supposed. Nevertheless, standardization in the widest sense of the word undoubtedly will lose Europe and America their industrial hegemony. The localization of industries according to the supply of raw materials and the situation on the markets, or in other words the migration of industries, is facilitated, the importance of tradition and cultural level as a localizing factor is lessened.

This movement is being accelerated by another technical factor: motorism. Railways penetrated a country very slowly, and they influenced only a narrow zone. Motorism advances on a broad front: it brings vast areas and their whole population in far more intimate commercial touch with the outer world than railways could ever do, and in itself the motor-car is particularly suitable as a means of propaganda for modern technique and western civilization among primitive peoples. The motor-car brings about more profound changes in the East than in Europe and America.

The geographical expansion of industries is being accelerated also by other technical factors. At a time when everything seems to have reached a standstill, or actually to be retrograding, in the countries where Western civilization had its origin, it is important to remember that this penetration, particularly of the East, is on the whole proceeding regardless of the economic crisis; even if it is not as yet reflected in increased production or increased trade, the way is being prepared for progress. A few years of increase of population in the East and the continued play of European influence will have brought about a considerably change in the commercial importance of the East. This brings me to a subject of considerable interest at the present time: the general geographical displacements which not only proceed regardless of economic crises, but may actually be accelerated by them.

Under the special conditions during the war the production of coal was decentralized. This was chiefly because the world tonnage did not suffice for both military and civilian needs. Coal transports were particularly strongly affected, and the result was a marked increase in the production of coal in countries which possessed supplies of their own, but which had not, or only insufficiently, exploited them, whether owing to lack of enterprise or for other reasons. This marks the beginning of a production of coal on a larger scale in several countries outside Europe, which has since continued and is encroaching on the market for British coal. In Europe, Holland and Spain have become more or less self-supporting. Other countries have reduced their imports of coal by harnessing water power.

During the present economic crisis similar changes are being prepared in regard to several other raw products, and they are certain to have far-reaching consequences for the future. It is in the nature of things that production in remote non-developed countries as a rule requires a large initial outlay, in particular for the creation of means of transport, and that on the whole a production will not be started under such conditions unless working costs are small in relation to capital costs. Hence production tends to be maintained even when the goods produced have

fallen to a price which in other countries would not cover the working costs. It might roughly be said that the more unfavourable the location of a mining enterprise is — and this applies in some measure also to other enterprises — the greater are in general the incitement to an increase of production, perhaps particularly so when the price level has been depressed after an economic crisis. In so far as this argument holds, every crisis will accelerate the otherwise slowly proceeding displacement of the centres of production of raw materials from the old industrial countries to more peripheral areas. In this respect a geographical analogy might be found to the competition between certain industrial raw materials one of which is more modern and effective than the other and the production of which requires less labour. In particular I would refer to the competition between coal and oil. During periods of crisis the production of oil goes on increasing without intermission, or the increase is merely somewhat retarded; if, as in the present exceptional crisis, a set-back does actually occur, it is of very moderate amount. The brunt of the crisis is always born by coal, and on each occasion coal will lose far more in relative position than would have been the case if the progress had not been broken by a crisis. This change in the relative importance of coal and oil also involves a displacement of raw material production towards new countries.

The general points of view in regard to geographical displacements of production which have been presented above, may be recapitulated as follows:

The continuous geographical expansion of the modern production system has been the necessary basis of the rapid and steady material progress of the modern age. Geographical expansion and material progress mutually interact.

The geographical displacements of production in the main are signs of an economic adaptation to the changed natural conditions in the new circumstances entailed by this expansion. Economic disturbances may be caused by regions possessing abundant natural resources being brought within the actual production zone after having formerly belonged to the potential zone. Developments in Russia must be viewed in this light. The change of *régime* is not the only explanation of the increased industrial activity in that country. Seeing that the geographical displacements of production are determined by natural conditions, it should be possible broadly to forecast these displacements.

In important respects technical science has now reached a stage at which the expansion of economic activity over new areas and the adaptation of production to the resources offered by these areas, proceeds with far greater rapidity than before. For the Russian programme of economic planning the new technique was a necessity.

The changes in the relative importance of the production of certain raw materials, such as coal and oil, and also between the amount of production in different regions, are accelerated by a general economic crisis, the movement of production centres from Western Europe and North America to other continents appearing as the characteristic feature.

In conclusion it should be said that these observations are not claimed to offer a sufficient basis for an explanation in the individual case; they may, however, cast some light on the background against which the geographical displacements of the economic activitiy of the world must be viewed.

THE CHANGES IN THE RATE OF INTEREST

The changes in the rate of interest have attracted a particular interest during the last year. In fact we have witnessed, in the declining rates of interest for bonds, not only one of the ordinary consequences of the periods of depression, but also a mitigation of the financial crisis in certain countries and tendencies towards a restoration of greater confidence on the international market. Especially after the Lausanne agreements this development seemed clear.

During the last months of the year there were, however, new disturbances intervening in the form of internal political differences in many countries as well as the new discussion on the subject of the international war debt payments. The tendency on the bond market became again unsettled with fluctuant prices.

This process is seen by the table below. No changes in the bank rate have taken place during the last quarter in the countries enumerated below with the exception of Denmark. The yield of Government bonds, on the other hand, showed diminution in October and a subsequent tightening of prices. The reserved attitude at the turn of the year is illustrative of the half optimism and half pessimism with which people are looking forward to the coming time.

Official rates of discount and yield of low percentage Government bonds in a number of countries (in per cent.)

(At the end of the month)

	1931		1932										
	June	Aug.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Rates of discount														
Denmark	3.50	3.50	6.00	6.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00	3.50	3.50	3.50
England	2.50	4.50	6.00	5.00	3.50	3.00	2.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Finland	6.00	6.00	8.00	7.00	7.00	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Norway	4.00	4.00	6.00	5.50	5.00	5.00	4.50	4.50	4.50	4.50	4.00	4.00	4.00	4.00
Sweden	3.00	4.00	6.00	5.50	5.00	5.00	4.00	4.00	4.00	4.00	3.50	3.50	3.50	3.50
France	2.00	2.00	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
U. S. A.	1.50	1.50	3.50	3.00	3.00	3.00	3.00	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Holland	2.00	2.00	3.00	3.00	3.00	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Switzerland	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Germany	7.00	10.00	7.00	7.00	6.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00
Yield of Government bonds [1]														
Denmark	4.53	4.65	5.16	5.22	5.23	5.23	5.27	5.22	5.02	4.88	4.52	4.45	4.38	4.46
England	4.24	4.59	4.74	4.53	4.27	4.00	4.06	3.89	3.65	3.67	3.63	3.55	3.63	3.60
Finland	7.56	7.81	8.68	8.05	7.80	7.68	7.54	7.54	7.54	7.40	7.32	7.39	7.47	7.43
Norway	4.51	4.69	5.25	5.13	5.04	5.00	5.00	4.81	4.67	4.66	4.64	4.40	4.59	4.68
Sweden	4.19	4.42	4.75	4.72	4.81	4.77	4.60	4.49	4.40	4.36	4.33	4.30	4.22	4.24
France	3.56	3.42	4.00	4.01	4.06	4.11	4.32	4.35	4.03	3.90	3.87	4.31	4.12	4.25
U. S. A.	3.23	3.25	4.30	3.99	3.96	3.72	3.89	3.85	3.66	3.58	3.55	3.62	3.68	
Switzerland	3.92	3.84	3.94	3.83	3.88	3.78	3.82	3.84	3.76	3.79	3.75	3.75	3.80	3.84

[1] Revised figures.

THE ECONOMIC SITUATION DURING THE FOURTH QUARTER OF 1932

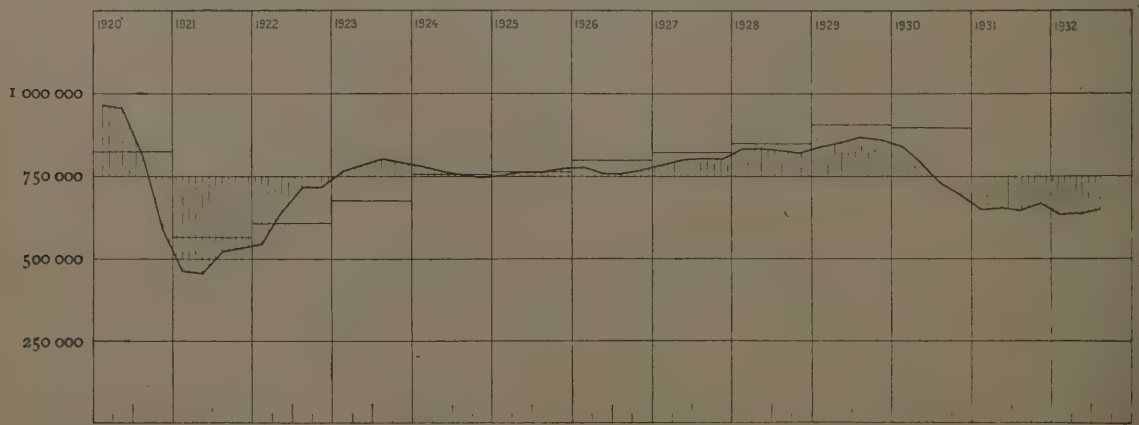
The General Situation. The stoppage of factories and unemployment in Sweden have not hitherto during the present depression reached the same formidable general extent as during the deflation year of 1921. But certain districts and especially those industrial ones in Norrland which are engaged for export are hard-hit. Apart from this there is the fact that the crisis has proved of such long duration and that it, from an international point of view, has been so extremely potent. The rises during the autumn in prices on the international market for securities and commodities have been followed by new falls in prices, and no definite signs are manifest of an improvement in the general situation. The improvement in the tendency of those markets is nevertheless still being felt. Prices of commodities and shares are in many instances higher than the bottom quotations reached during the year, and it would seem as if the darkest period of pessimism had been overcome, at least for the present.

According to the calculations of the Federation of Swedish Industries, the volume of production during the most recent period has been 15 to 20 per cent lower than in the year 1930 and only slightly less than in 1925. Judging by the statistics for railway traffic and the clearing returns of the Riksbank a similar opinion may be passed in regard to the general trade turnover within Sweden.

With regard to employment in industries, the Board of Social Welfare has addressed an enquiry to 1446 enterprises. The replies showed that those enterprises during the third quarter of 1932 gave employment to ca. 212,000 workers, as against an average of ca. 232,400 workers during the period of five years 1926—30. The decrease in proportion to the said five years' period thus comprises slightly less than 9 per cent. It should of course be borne in mind that several industries are now running at shorter hours and that their workers in consequence of that do not earn a full weakly wage. But indu-

Employment in the industry.

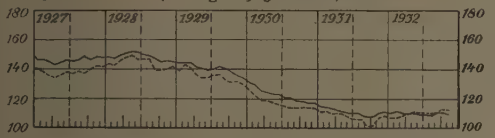
The curve represents the supply of labour[1] as stated by the Labour Office (scale right).
The columns signify the number of working-hours in the industry (scale left).



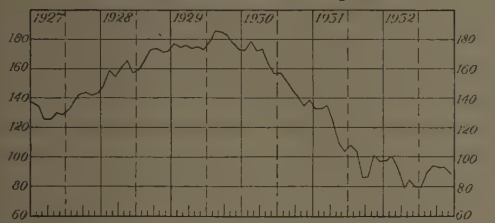
[1] The season variations have been eliminated.

Price Index of the Board of Trade.

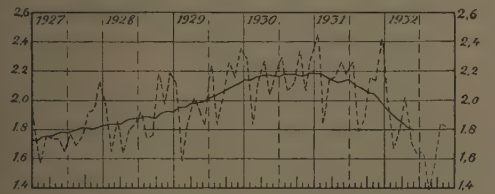
——— = all goods.
- - - - - - - - = raw products.
(Average 1913 = 100.)



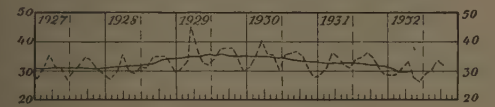
Index Numbers for Shares of 11 typical Swedish Industrial Companies.



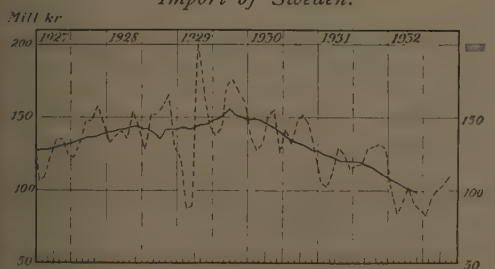
Clearing Turnover of the Riksbank
in milliards of Kr.



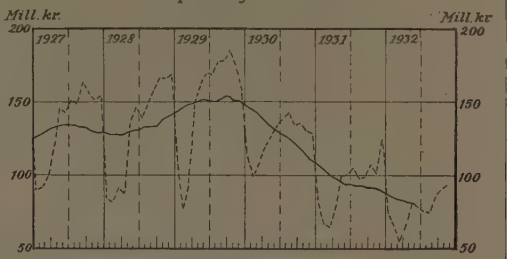
Millions of Axle-Kilometers travelled by Loaded Goods Trucks on the State Railways.



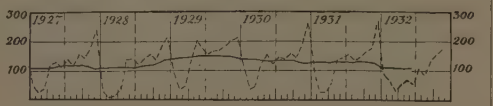
Import of Sweden.



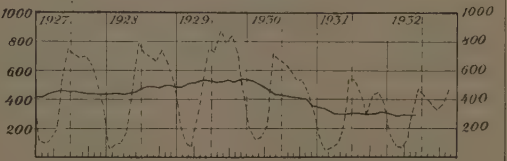
Export of Sweden.



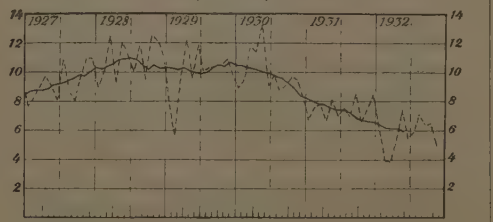
Export of Paper Pulp.
(Estimated air-dry weight in 1,000 tons.)



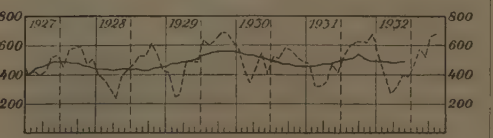
Export of Woodgoods.
(1,000 m³.)



Export of Products of the Engineering Works.
(Mill. kr.)



Import of Coal and Coke.
(1,000 tons.)



Everywhere except in the first diagram the dotted line — where it occurs — indicates the original figures and the solid line the moving 12 months' averages.

stry has nevertheless succeeded on a large scale in making it possible for its regular workers to earn a livelihood.

The difficulties of the export industries seem in several instances to be still increasing as the result of new trade restrictions in other countries. The good harvest of last year and protection in currency matters have, on the other hand, been beneficial to agriculture and home-market industries. Building activities during the summer and autumn months were less lively than usual.

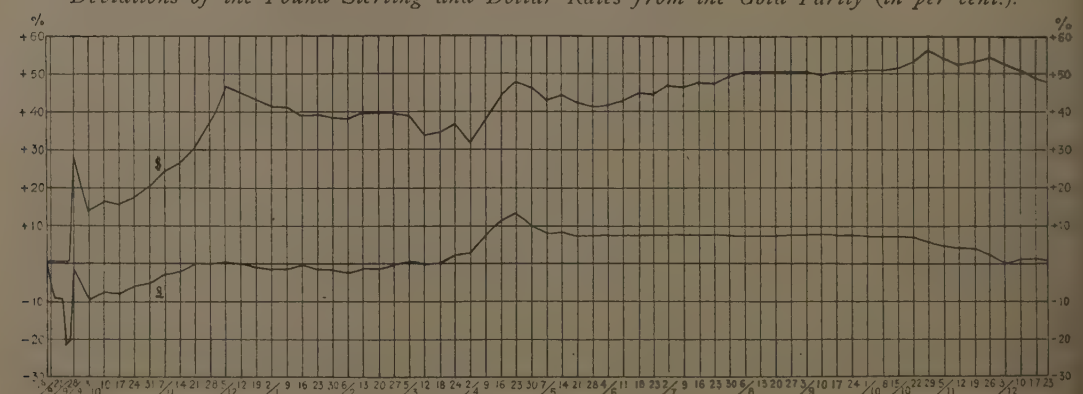
Foreign trade resulted in an improvement of the trade balance as against the preceding year by 100 mill. kronor in round figures. There was an import surplus of 210 mill. kronor for the period January—November last year as compared with 307 and 106 mill. kronor respectively during the corresponding period in 1931 and 1930. During the first eleven months of 1929 there was, on the other hand, an export surplus of 33 mill. kronor. The said four-year period has entailed a falling off of nearly 50 per cent. in the exports, while the imports have depreciated by about 35 per cent. The general fall in prices in Sweden during the same time can be estimated, according to the price index of the Swedish Board of Trade, at 20 to 25 per cent. The import surplus of last year was covered, as in the preceding year, to a large extent by the net export of securities. This net export amounted to ca. 94 mill. kronor for the period January—November 1932, while the figure for the whole year 1931 was ca. 95 mill. kronor.

In spite of the negative trade balance it has been possible for the Riksbank continuously to augment its holding of foreign currencies, which has grown from 49 mill. kronor at the close of December 1931 to 214 mill. kronor, at the turn of last year. The situation at the present time is characterised by the circumstance that the note circulation is covered to wellnigh 100 per cent. by the currency portfolio and gold stock of the Riksbank alone, the latter being valued at the world market price.

The currency market was characterised by sensational conditions affecting quotations, especially during the last quarter of the year, mainly in consequence of the fact that the Swedish krona shared the weakening of the pound in relation to the gold currencies. The Swedish krona has not, however, participated altogether in this weakening of the sterling rate, as the pound sterling, which was quoted during the period June—September at kr. 19.50 in round figures, or ca. 7.5 per cent. above par, fell to kr. 18.32, or ca. 1 % above par, during the last three months. Notwithstanding this rapid fall in sterling, which entails so much trouble for the export industries, the dollar rate rose rapidly and reached, at the end of October, the highest rate ever fixed in Sweden, viz. kr. 5.85, i. e. ca. 57 % above par. Since the pound rate has become more stable in dollars, the dollar rate in kronor has remained practically unchanged at about 5.50, corresponding to 47 % above par, during the last days of the year.

The money market has been easy, with increased liquidity in the banks. The capital market

Deviations of the Pound Sterling and Dollar Rates from the Gold Parity (in per cent.).



is characterised by an increase of the banks' long-term deposits and a continued rise in quotations on the bond market. During the last month of the year, however, the state of the latter was more uncertain and a watchful attitude prevailed. With the Post Office Savings Bank leading the way by reducing the rate of interest on deposits to 2.5 %, the larger private savings banks have lowered their rates to 3.5 %. The commercial banks adopt an intermediate attitude, and have reduced rates of interest, with exception of the discount rate on bills and the interest on cheque accounts, and thereby introduced an interest rate of 3 per cent. for long-term deposits.

The Stock Exchange. The fluctuations in quotations during the past few months for the leading industrial and bank shares on the Stockholm Stock Exchange will be seen from the following table, which gives quotations in percentage of par: —

	Number of companies	1932						
		12/3	15/6	25/9	25/10	25/11	15/12	30/12
Engineering Industries	4	88	72	90	89	90	86	85
Timber and Paper Industries	5	100	80	96	98	95	91	84
Combined Industries (Wood and Iron)	2	86	86	95	93	94	86	89
Total above Companies	**11**	**92**	**80**	**94**	**93**	**93**	**88**	**86**
Banking Companies	4	158	103	126	127	125	114	11

It will be seen from these that the quotations at the close of December, having reached a peak in October, were still higher than in the middle of June. The value of the turnover was, during the last quarter, of the same magnitude as during both the preceding quarters and amounted to ca. 304,000 kr. per exchange day.

The Bond Market. During the earlier part of the last three months there was an almost uninterrupted rise in quotations, which towards the middle of November brought back the quotations for gilt-edged bonds almost to the record high level they held in June 1931, before the effects of the so called confidence crisis were felt in Sweden. The Swedish market adopted a more expectant attitude under the influence of the discussion on international war debts, and the uncertainty caused thereby on foreign stock exchanges. The following table gives the changes in the rate of interest for 24 representative Swedish loans.

Loans issued by	Number of Loans	June 1931	April 1932	Aug. 1932	Sept. 1932	Oct. 1932	Nov. 1932	Dec. 1932
Swedish Government	8	3.94	4.74	4.30	4.24	4.10	4.04	4.05
Mortgage Banks, etc.	7	4.02	4.77	4.46	4.34	4.23	4.14	4.22
Municipalities . . .	5	4.26	4.93	4.47	4.41	4.35	4.32	4.41
Industrial Companies	4	4.87	5.87	5.03	5.00	4.88	4.77	4.81
Total Loans	**24**	**4.27**	**5.08**	**4.56**	**4.50**	**4.39**	**4.32**	**4.37**

Note. The figures are for the middle of the months. — Revised figures.

The yield of first class, industrial loans referred to in the above mentioned table represented in round figures about $4^{7}/_{8}$ per cent. during the last quarter. Several industrial loans are judged less favourably on account of the industrial situation, however, and such loans with a yield of $5^{1}/_{2}$ and 6 % are not unusual.

The only major new issue during the past quarter took place just before Christmas in connexion with the conversion of the only remaining 5 per cent. Government loan, viz. the 5 per cent. loan of 1923, bonds of which were unredeemed to an amount of kr. 66,582,400: —. This loan was denounced as at the 15th of September, 1933, and the bondholders were offered an exchange of those bonds for 4 per cent. bonds at a rate of 97 per cent. together with payment in advance of the remaining interest on the old loan. Investors were also given the opportunity of subscribing 4 per cent. bonds in the new loan at a rate of $97^{1}/_{2}$ per cent. The amount converted in the manner indicated represented ca. 43.54 % and new subscriptions ca. 31.14 mill. kronor, corresponding in all to an amount of ca. 74.68 mill. kronor for the new loan, which is a perpetual one.

The reductions in the rates of interest which were made at the turn of the year and which have been accounted for above are naturally apt to further an increase in issue operations, which it is rumoured are being planned both on the part of the Government and a number of the larger municipalities. On the other hand the expectant attitude of the market during December depended largely on the fact that investors wished to wait for such issues, so there should be a wide demand for investment.

In the market for foreign bonds attention is especially called to the marked rise in the quotations for certain German bonds, which in comparison with the minimum quotation last year were more than doubled in price. Important purchases of such bonds have been made from abroad and probably, to a large extent for German account.

Some Statistical Data Concerning

Currency Reserve, Stock of Gold, Note Circulation.

	Net Claims of Banks on Abroad million kronor (End of month)									The Riksbank's								
										Stock of Gold (million kr.)			Stock of Gold and Net Claims on Abroad (million kr.)			Note Circulation (million kr.)		
	Riksbank			Commercial banks			Total											
	1930	1931	1932	1930	1931	1932	1930	1931	1932	1930	1931	1932	1930	1931	1932	1930	1931	1932
Jan.	236	370	81	302	132	230	538	502	311	244	241	206	480	611	287	500	519	514
Feb.	233	352	91	278	152	219	511	504	310	244	240	206	477	592	297	503	507	497
March	261	302	113	260	114	208	521	416	321	244	240	206	505	542	319	530	525	531
I (Average)	**243**	**341**	**95**	**280**	**133**	**219**	**523**	**474**	**314**	**244**	**240**	**206**	**487**	**582**	**301**	**511**	**517**	**514**
April	355	296	114	234	76	207	589	372	322	243	240	206	598	536	320	523	522	548
May	358	280	122	228	20	177	586	300	299	243	239	206	601	519	328	525	519	531
June	389	295	133	152	42	168	541	337	301	243	238	206	632	533	339	551	536	545
II (Average)	**367**	**290**	**123**	**205**	**46**	**184**	**572**	**336**	**307**	**243**	**239**	**206**	**610**	**529**	**329**	**533**	**526**	**541**
July	358	221	163	207	130	161	565	351	334	243	238	206	601	459	369	527	529	540
Aug.	348	125	171	197	172	178	545	297	349	242	230	206	590	356	377	537	540	524
Sept.	397	33	178	181	231	175	578	264	353	242	199	206	639	232	384	562	555	553
III (Average)	**368**	**126**	**171**	**195**	**178**	**171**	**563**	**304**	**345**	**242**	**222**	**206**	**610**	**349**	**377**	**542**	**541**	**539**
Oct.	398	25	194	181	219	172	579	244	366	242	213	206	640	238	400	554	552	556
Nov.	392	25	220	172	230	162	564	255	382	242	206	206	634	231	426	558	547	518
Dec.	390	49	214	164	241		554	290		241	206	206	631	255	420	551	547	553
IV (Average)	**393**	**33**	**209**	**172**	**230**		**566**	**263**		**242**	**208**	**206**	**635**	**241**	**415**	**554**	**549**	**542**
Notes	The figures comprise balances with foreign banks and holdings of foreign bills and foreign bonds less amounts due to foreign banks									At end of month.						Monthly averages		

Rates of Exchange.

	The Riksbank's Quotations (Monthly Averages)											
	London Kr. for £ 1			New York Kr. for $ 1			Paris Kr. for 100 francs			Berlin Kr. for 100 Rmk		
	1930	1931	1932	1930	1931	1932	1930	1931	1932	1930	1931	1932
Jan.	18.138	18.141	17.910	3.7256	3.7378	5.217	14.668	14.676	20.644	89.015	88.864	124.042
Feb.	18.127	18.151	17.948	3.7289	3.7372	5.192	14.636	14.667	20.638	89.041	88.836	124.080
March	18.110	18.146	18.318	3.7248	3.7362	5.069	14.609	14.642	20.148	88.891	88.957	121.598
I (Average)	**18.125**	**18.146**	**18.059**	**3.7264**	**3.7371**	**5.159**	**14.638**	**14.662**	**20.477**	**88.982**	**88.886**	**123.240**
April	18.096	18.151	19.715	3.7215	3.7360	5.253	14.606	14.629	20.962	88.849	88.974	126.115
May	18.114	18.147	19.671	3.7284	3.7319	5.352	14.645	14.616	21.371	88.979	88.845	128.510
June	18.099	18.152	19.522	3.7262	3.7322	5.349	14.642	14.634	21.423	88.878	88.605	127.781
II (Average)	**18.103**	**18.150**	**19.636**	**3.7254**	**3.7334**	**5.318**	**14.631**	**14.626**	**21.252**	**88.902**	**88.808**	**127.469**
July	18.101	18.148	19.518	3.7214	3.7371	5.494	14.662	14.681	21.859	88.832	88.541 [1]	131.202
Aug.	18.116	18.160	19.483	3.7206	3 7395	5.608	14.656	14.676	22.217	88.881	88.867 [2]	134.278
Sept.	18.097	18.159 [3]	19.500	3.7232	3.7376 [3]	5.621	14.643	14.673 [3]	22.238	88.721	88.454 [3]	134.519
III (Average)	**18.105**		**19.500**	**3.7217**		**5.574**	**14.654**		**22.105**	**88.811**		**133.333**
Oct.	18.099	16.939	19.388	3.7259	4.3615	5.706	14.639	17.446	22.631	88.704	102.222	136.462
Nov.	18.104	17.935	18.809	3.7290	4.8268	5.740	14.663	19.090	22.731	88.860	115.170	137.269
Dec.	18.105	18.032	18.317	3.7291	5.3632	5.589	14.673	21.206	22.023	88.915	127.700	134.010
IV (Average)	**18.103**	**17.635**	**18.838**	**3.7280**	**4.8505**	**5.678**	**14.658**	**19.247**	**22.462**	**88.826**	**115.031**	**135.914**
Par	18.1595			3.7315			14.6196			88.8889		

[1] Refers to the period 1—13 July. — [2] Refers to the period 2—31 August. — [3] Refers to the period 1—19 Sept.

N. B. England abandoned the gold standard on the 21th Sept. and Sweden on the 28th Sept. 1931. The rates indicated after the last mentioned date refer to the nominal quotations of the commercial banks.

Sweden's Economic Position.

Commercial Banks, Stock Exchange.

	Commercial banks									Total Clearing (million kr.)			Quotations of 11 typical Swedish Industrial Shares [1] In %			Shares sold on the Stockholm Stock Exchange (1000 kr.)		
	Deposits (million kr.)			Loans incl. bills rediscounted (million kr.)			Bills Rediscounted (million kr.)											
	1930	1931	1932	1930	1931	1932	1930	1931	1932	1930	1931	1932	1930	1931	1932	1930	1931	1932
Jan.	3600	3731	3675	4431	4565	4657	156	89	287	2283	2450	1979	173	133	98	1894	1752	1392
Feb.	3621	3707	3662	4478	4578	4635	154	108	245	1828	1843	1671	179	133	101	2395	2185	1307
March	3656	3701	3631	4509	4654	4633	157	154	308	2136	2140	1796	172	135	[2] 92	2227	2746	1261
I (Average)	**3626**	**3713**	**3656**	**4473**	**4599**	**4642**	**156**	**117**	**280**	**2082**	**2144**	**1815**	**175**	**134**	**97**	**2172**	**2228**	**1320**
April	3692	3661	3580	4447	4702	4728	91	151	239	2270	2155	2026	173	123	79	3316	3033	469
May	3661	3642	3549	4432	4753	4482	56	191	226	2042	2265	1716	164	109	84	1679	2128	300
June	3648	3631	3532	4479	4735	4461	71	218	233	2188	2175	1629	157	104	80	1885	2664	194
II (Average)	**3667**	**3645**	**3554**	**4453**	**4730**	**4557**	**73**	**187**	**233**	**2167**	**2198**	**1790**	**165**	**112**	**81**	**2293**	**2608**	**321**
July	3722	3683	3616	4451	4716	4425	14	200	150	2297	2266	1649	157	108	80	859	2402	273
Aug.	3709	3656	3609	4524	4771	4414	36	270	124	2062	1790	1390	152	105	90	1454	1741	505
Sept.	3737	3670	3625	4536	4797	4421	25	382	109	2118	1880	1546	145	86	94	1351	1808	427
III (Average)	**3723**	**3670**	**3617**	**4504**	**4761**	**4420**	**25**	**284**	**128**	**2159**	**1979**	**1528**	**151**	**100**	**88**	**1221**	**1984**	**402**
Oct.	3708	3669	3636	4532	4709	4387	17	283	92	2335	2156	1830	141	87	93	1412	1333	319
Nov.	3660	3608	3550	4524	4681	4362	36	300	109	2069	2131	1813	135	102	93	1297	1168	291
Dec.	3631	3554		4634	4694		197	326		2301	2418		139	97	88	2041	620	312
IV (Average)	**3666**	**3610**		**4503**	**4695**		**83**	**303**		**2235**	**2235**		**138**	**95**	**91**	**1583**	**1040**	**304**
Notes	The figures refer to end of month									Total amounts passed through the Riksbank Clearing House (Stockholm and Gothenburg)			Prices at middle of month			Averages per Stock Exchange business day		

[1] Revised figures. — [2] Refers to the prices on the 21st March when the Stock Exchange was opened, after being closed a week.

Rates of Interest and Price Level.

	Rediscount Rate of the Riksbank (%)			Effective Yield of Bonds (%)						Wholesale Price Index (Board of Trade) (1913 = 100)						Cost of Living Index (July 1914 = 100)		
				Govt. Loans[1]			Industrial Loans[1]			All Goods			Raw Materials					
	1930	1931	1932	1930	1931	1932	1930	1931	1932	1930	1931	1932	1930	1931	1932	1930	1931	1932
Jan.	4.50	3.50	6.00	4.36	4.07	4.76	4.93	4.89	5.50	131	115	109	125	111	107	167	161	157
Feb.	4.50	3.08	5.03	4.27	4.06	4.54	4.92	4.85	5.39	128	114	110	122	111	107	·	·	·
March	4.10	3.00	5.05	4.22	4.07	4.69	4.93	4.87	5.57	125	113	109	118	110	108	·	·	·
I (Average)	**4.37**	**3.19**	**5.36**	**4.28**	**4.07**	**4.66**	**4.93**	**4.87**	**5.49**	**128**	**114**	**109**	**122**	**111**	**107**			
April	3.53	3.00	5.00	4.22	4.10	4.74	4.91	4.88	5.87	124	112	109	118	110	109	165	160	157
May	3.50	3.00	4.77	4.30	4.09	4.53	4.89	4.85	5.64	123	111	109	117	109	110	·	·	·
June	3.50	3.00	4.03	4.30	3.94	4.41	4.90	4.85	5.36	123	110	108	116	107	109	·	·	·
II (Average)	**3.51**	**3.00**	**4.60**	**4.27**	**4.04**	**4.56**	**4.90**	**4.86**	**5.62**	**123**	**111**	**109**	**117**	**109**	**109**			
July	3.50	3.00	4.00	4.32	4.03	4.36	4.91	4.88	5.27	121	110	108	115	106	109	164	158	156
Aug.	3.50	4.00	4.00	4.27	4.30	4.30	4.89	4.98	5.03	121	109	108	114	106	109	·	·	·
Sept.	3.50	5.33	3.50	4.22	4.39	4.24	4.87	5.13	5.00	119	107	110	114	101	110	·	·	·
III (Average)	**3.50**	**4.11**	**3.83**	**4.27**	**4.24**	**4.30**	**4.89**	**5.00**	**5.10**	**120**	**109**	**109**	**114**	**104**	**109**			
Oct.	3.50	6.83	3.50	4.07	4.58	4.10	4.85	5.27	4.88	118	108	110	114	102	112	163	158	156
Nov.	3.50	6.00	3.50	4.11	4.80	4.04	4.86	5.18	4.77	117	110	109	114	107	112	·	·	
Dec.	3.50	6.00	3.50	4.18	4.85	4.05	4.84	5.68	4.81	117	111		114	108		·	·	
IV (Average)	**3.50**	**6.28**	**3.50**	**4.12**	**4.74**	**4.06**	**4.85**	**5.38**	**4.82**	**117**	**110**		**114**	**106**				
Notes	Monthly averages			Calculated on market prices at middle of months						Calculated on prices ruling at middle of months						Refers to end of quarters		

[1] Revised figures.

Trade and Industry.

	Foreign Trade (million kr.)									Export of Forest Products								
	Import			Export			Excess of Imports (−) or Exports (+)			Sawn and Planed Wood Goods 1000 stds			Paper Pulp 1000 tons			Paper and Pasteboard 1000 tons		
	1930	1931	1932	1930	1931	1932	1930	1931	1932	1930	1931	1932	1930	1931	1932	1930	1931	1932
Jan.	137	103	101	112	83	74	−25	−20	−27	31	24	25	110.7	110.0	89.3	40.6	30.3	40.9
Feb.	127	102	84	100	67	66	−27	−35	−18	17	8	11	36.7	26.1	68.9	39.3	31.2	46.7
March	131	112	92	109	65	54	−22	−47	−38	16	10	9	47.4	25.4	32.7	37.6	28.8	35.9
I (Average)	**132**	**106**	**92**	**107**	**72**	**65**	**−25**	**−34**	**−28**	**21**	**14**	**15**	**64.9**	**53.8**	**63.6**	**39.2**	**30.1**	**41.2**
April	149	129	102	120	77	66	−29	−52	−36	27	10	21	121.8	57.0	56.5	39.6	28.4	39.6
May	154	125	91	160	99	81	+ 6	−26	−10	124	33	66	156.2	137.1	68.7	29.6	45.6	38.5
June	124	114	87	134	101	78	+10	−13	− 9	126	99	87	122.9	144.7	57.8	26.2	36.2	41.5
II (Average)	**142**	**123**	**93**	**138**	**92**	**75**	**− 4**	**−30**	**−18**	**92**	**47**	**58**	**133.6**	**112.9**	**61.0**	**31.8**	**30.7**	**39.9**
July	141	117	83	138	105	76	− 3	−12	− 7	116	95	70	145.4	155.0	115.5	32.5	46.2	36.6
Aug.	130	117	95	143	98	74	+13	−19	−21	106	77	65	140.6	137.6	90.8	39.5	46.7	34.9
Sept.	146	129	99	134	99	85	−12	−30	−14	86	56	63	159.4	148.5	135.6	39.1	45.1	29.9
III (Average)	**139**	**121**	**92**	**138**	**101**	**78**	**− 1**	**−20**	**−14**	**103**	**76**	**66**	**148.5**	**147.0**	**114.0**	**37.0**	**46.0**	**33.8**
Oct.	151	130	103	136	107	90	−15	−23	−13	100	80	75	142.5	169.0	156.1	37.0	50.2	38.4
Nov.	134	131	110	131	101	93	− 3	−30	−17	88	85	95	188.8	178.5	172.9	37.6	46.4	42.9
Dec.	125	129		128	124		+ 3	− 5		63	75		261.2	271.5		37.3	43.6	
IV (Average)	**137**	**130**		**132**	**111**		**− 5**	**−19**		**84**	**80**		**197.5**	**206.3**		**37.3**	**40.7**	
Notes										Petersburg standard = 4.67 m³			Estimated air-dry weight					

	Export of Iron Ore 1000 tons			Export of Workshop Products million kr.			Index of Production according to Feder. of Swed. Industries			Supply of Labour in Industry Index numbers			Wagon-axle Kilometres of loaded Trucks on State Railways			Unemployment in Trade Unions (%)		
	1930	1931	1932	1930	1931	1932	1930	1931	1932	1930	1931	1932	1930	1931	1932	1930	1931	1932
Jan.	708	363	150	8.89	6.70	6.20	119	84	96	·	·	·	31.6	28.8	28.5	13.9	20.3	24.1
Feb.	646	306	160	9.50	7.59	4.01	117	88	95	·	·	·	35.0	31.0	29.1	13.2	18.7	23.5
March	674	305	158	11.83	7.76	3.91	113	89	99	·	·	·	40.6	36.4	31.0	12.3	19.4	23.9
I (Average)	**676**	**325**	**156**	**10.07**	**7.35**	**4.71**	**116**	**87**	**97**	**3.26**	**2.51**	**2.46**	**35.7**	**32.1**	**29.5**	**13.1**	**19.5**	**23.8**
April	723	314	158	11.36	6.66	5.04	111	96	86	·	·	·	36.0	35.0	33.0	10.8	17.1	20.6
May	927	357	163	13.24	8.09	7.30	103	90	89	·	·	·	35.5	32.3	27.5	8.0	13.2	18.8
June	803	459	159	9.00	6.96	5.36	105	92	80	·	·	·	30.7	31.2	26.6	8.0	12.4	19.1
II (Average)	**818**	**377**	**160**	**11 20**	**7.24**	**5.90**	**106**	**93**	**85**	**3.22**	**2.66**	**2.39**	**34.1**	**32.8**	**29.0**	**8.9**	**14.2**	**19.5**
July	773	453	231	9.77	7.56	5.78	104	95	74	·	·	·	35.7	34.2	28.7	7.7	11.8	19.1
Aug.	675	270	208	8.74	6.93	6.99	104	97	81	·	·	·	36.3	34.8	29.9	8.1	12.8	19.8
Sept.	632	219	190	9.02	8.49	6.28	101	95	82	·	·	·	36.9	36.3	33.5	9.5	13.4	20.4
III (Average)	**693**	**314**	**210**	**9.18**	**7.66**	**6.35**	**103**	**96**	**79**	**2.94**	**2.61**	**2.41**	**36.3**	**35.1**	**30.7**	**8.4**	**12.7**	**19.8**
Oct.	511	74	138	9.65	6.58	6.45	101	95	81	·	·		35.1	34.4	31.5	12.2	16.5	21.8
Nov.	410	144	191	9.43	7.40	4.80	100	99		·	·		30.6	30.7		15.3	19.3	
Dec.	470	239	210	8.27	8.43		100	101		·	·		27.8	28.8		22.9	26.5	
IV (Average)	**464**	**152**	**180**	**9.12**	**7.47**		**100**	**98**		**2.77**	**2.65**		**31 2**	**31.3**		**16.8**	**20.8**	
Notes	Shipments of the Grängesberg Co.			Motors, electr machinery, ball bearings, separators, telephones, etc.			Seasonal change removed Revised figures			The figure 3 denotes normal supply of labour			Million kilom. per month			% of total members at end of month		

Stockholm 1933. Kgl. Boktr. P. A. Norstedt & Söner 323168

SKANDINAVISKA KREDITAKTIEBOLAGET

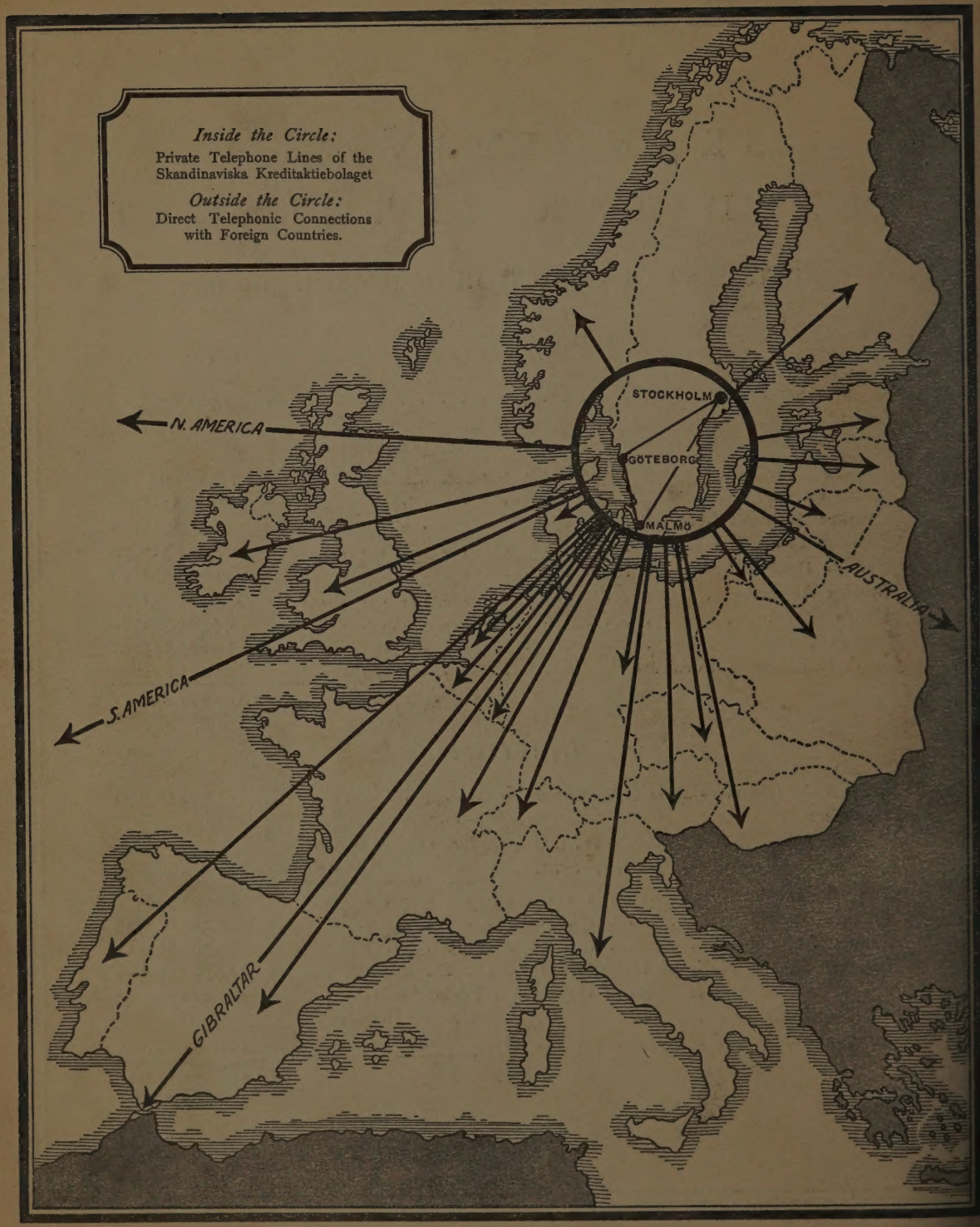
STATEMENT OF CONDITION DECEMBER, 31st, 1932

Assets

Cash in hand		Kr. 25.812.723: 80
Bills:		
Swedish	Kr. 322.926.446: 89	
Foreign	» 26.719.600: 63	» 349.646.047: 52
Loans (secured)		» 396.280.718: 66
Current Accounts (secured)		» 100.353.511: 18
Swedish Banks		» 1.509.510: 70
Foreign Banks		» 11.008.183: 90
Sundry Accounts		» 235.725.831: 73
Bonds		» 44.304.761: 80
Shares		» 10.675.025: 92
Bank Buildings & Furniture		» 15.255.842: —
		Kr. 1.190.572.157: 21

Liabilities

Bills at sight in circulation (»postremiss» bills)		Kr. 13.922.685: 32
Deposits:		
at sight	Kr. 114.331.639: 91	
at notice	» 445.698.669: 60	» 560.030.309: 51
Swedish Banks		» 29.050.909: 71
Foreign Banks		» 7.485.052: 55
Sundry Accounts		» 83.383.200: 12
Loans from The National Debt Office		» 114.700.000: —
5½ % Registered Certificates of the Bank (»Förlagsbevis»)		» 200.000.000: —
Share Capital	Kr. 87.188.000: —	
Reserve Fund	» 94.812.000: —	» 182.000.000: —
		Kr. 1.190.572.157: 21


Inside the Circle:
Private Telephone Lines of the Skandinaviska Kreditaktiebolaget
Outside the Circle:
Direct Telephonic Connections with Foreign Countries.
STOCKHOLM
GÖTEBORG
MALMÖ
N. AMERICA
S. AMERICA
GIBRALTAR
AUSTRALIA